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14th January 2015

Dear Elizabeth,

OFTO Build: Providing additional flexibility through an extended framework

This response is on behalf of National Grid Electricity Transmission plc. This response is not confidential and we are happy for it to be placed on the Ofgem website and for it to be shared more widely for the purposes of the offshore transmission regime.

We are supportive of the development of a clear and effective framework for the delivery of offshore transmission assets. This, however, must be in the best interests of consumers and be supported by industry. Costs to consumers are minimised through the timely connection of an efficient generation mix, and it is important that the arrangements do not provide a barrier to this. We note that there is a fundamental difference between transmission assets which benefit multiple parties / the system and radial links that benefit single generators.

Our response is focussed on the importance of industry support for the framework and key considerations to be made to ensure effective implementation of the framework.

Framework for delivering OFTO Build

The updated policy proposals provide a suitable range of options to industry, which can be developed from theory into practice when there is a clear driver and support from both generators and OFTOs. We recognise all options for supporting OFTO build have been considered, including the potential for the 'early model' to be developed in the future if there is a driver from industry.

Key Considerations

Whichever OFTO build approach is taken, it is important that both consumers and offshore generators should not be exposed to undue delay, significant additional costs or heightened project risk as a result of a change in delivery approach.

To date, Generator Build has been the preferred option for offshore asset delivery by generators as this option allows the maximum level of control over their route to market. Where there is a driver to move towards an OFTO build approach, the costs of contractual arrangements, liabilities for any costs which are unable to be recovered and how the transfer of risk will be managed should be made clear.

We note that the read across to the Integrated Transmission Planning and Regulation (ITPR) project is limited. As highlighted by Ofgem there are significant differences in planning, developing and constructing transmission assets for the primary purpose of connecting offshore generation to benefit single generators and those for the purpose of wider system requirements, benefiting multiple parties. Ensuring the benefit to consumers is delivered over the whole asset life is, however, applicable to projects both onshore and offshore and this should be taken into account when assessing the appropriateness of any alternative asset

delivery approaches.

Recently, we have been considering how the existing User Commitment arrangements could be adapted to facilitate the coordination of offshore generation projects through Generator Focussed Anticipatory Investment (GFAl). We recognise that developer build of transmission assets works well for assets used by a single developer's project(s). However, there are a number of issues in extending the current arrangements to developer build of shared assets, such as how the rights, obligations and liabilities between the developers would be assigned. These issues have been discussed at the Transmission Charging Methodologies Forum and feedback suggested that applying arrangements designed for a sole developer to multiple developers presented a major risk, for both the building developer and the second party. Under an OFTO build scenario, these issues do not arise as the OFTO would be in a similar position to an onshore TO, and offshore generators in a similar position to onshore developers. Therefore the options to extend OFTO build are likely to support timely development.

We are happy to discuss our views contained within this letter further should that be helpful. For further details, please contact Jenny Doherty jennifer.doherty@nationalgrid.com.

Yours sincerely

[By email]

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